

Central Intelligence Agency



Washington, D. C. 20505

14 August 1986

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MEMORANDUM FOR: Rodney B. McDaniel
Executive Secretary to the National
Security Council

SUBJECT: Saudi Arabia's Oil Policy: Implications
for the United States [redacted]

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In response to recent interest in Saudi oil policy, attached is our assessment of Riyadh's motives. In our judgment, Saudi oil policy is aimed at increasing near-term oil revenues, forcing producer discipline, ensuring a long-term market for Saudi oil, and squeezing Iran economically. [redacted]

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[redacted] If you or members of your staff have questions concerning the report, please call [redacted] Chief, Strategic Resources Division, Office of Global Issues [redacted]

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[redacted]
Richard J. Kerr
Deputy Director for Intelligence

Attachment:
Saudi Arabia's Oil Policy: Implications
for the United States [redacted]
GI M 86-20186, August 1986, [redacted]

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DIRECTORATE OF INTELLIGENCE

8 August 1986

Saudi Arabia's Oil Policy: Implications for the United StatesSummary

Faced with falling output and oil revenues, Saudi Arabia last year abandoned its role as OPEC swing supplier to recapture market share. In our judgment, the new Saudi strategy has several goals: to increase near-term oil revenues, force other producers to reduce output and ensure a long term market for Saudi oil.

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Even so, an attempt by the Saudis to ensure a long-term market for their oil by allowing prices to fall will likely retard oil exploration and development in high-cost mature areas like the US.

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This memorandum was prepared by [] Energy Markets Branch, Office of Global Issues, with a contribution from [] Office of Near East and South Asian Analysis and [] Office of Information Resources. The information contained herein is updated to 8 August 1986. Comments may be directed [] Chief, Energy Markets Branch []

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GI M 86-20186

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